

Tobacco 1994

Media/Congress/Clinton Administration

January

- 6 Washington Post reports on Congress' fire-safe cigarette initiatives
- 7 Surgeon General Elders warns on dangers of ETS and children
- 11 United Airlines announces a trial smoking ban on international flights
- 12 Former President Carter calls for advertising limits
- 16 OSHA reported to be moving toward smoking ban
- 20 Researchers announced they had linked smoking to some forms of leukemia
- 26 Arby's bans smoking
- 28 GATT announces a panel to probe US tobacco import restrictions

February

- 1 San Francisco's stringent smoking law takes effect
- 4 The Mayor of New York City announces opposition to a tobacco ad at Shea stadium
- 5 The American Bar Association urges increased taxes for tobacco and alcohol
- 7 The White House backs a tough public smoking ban
- 8 Surgeon General Elders backs the ban on smoking in US public buildings
The EPA announces support for near-total smoking ban
- 11 A study reported that smoking while pregnant lowers the IQ of children
- 20 Washington Post reports increased teen smoking
- 22 ETS in fetal hair report from AMA
- 23 McDonald's announces new smoke-free policy
National Council of Chain Restaurants supports smoking ban
Congressman Moakley introduces fire-safe cigarette bill
- 24 30th anniversary report of the Surgeon General
- 25 ABC News breaks story on nicotine "spiking"
- 27 United Airlines institutes trial bans on international flights
- 28 ABC Day One nicotine story
Action on Smoking & Health files another petition with FDA to regulate cigarettes

March

- 3 Maryland proposes statewide workplace ban
Congressmen Synar and Durbin solicit sponsors for their FDA bill
- 4 DOD leaks new smoking ban policy
Senator Kennedy requests GAO study of nicotine issue
- 7 ABC Day One on FDA jurisdiction and "ingredients"
- 7-11 NBC News runs tobacco feature every night
- 8 Wall Street Journal reports Justice Department anti-trust division investigation of alleged suppression of fire-safe cigarette research
- 9 House Floor Amendment to Education Bill adding tobacco to definition of "drugs" passes
Department of Defense announces smoking ban
Industry tobacco rally in Washington
- 10 Fire-safe cigarette article in Washington Post
Former HEW Secretary Califano calls for \$2 tax before Senate Finance
Congressman Waxman asks Justice Department to investigate companies' ingredient reports
- 14 Taco Bell bans smoking
- 16 Stark Subcommittee narrowly defeats \$2 FET proposal
- 17 Waxman Hearing on smoking ban
- 22 Waxman cancels mark up of smoking ban bill
- 25 Waxman holds hearing on FDA jurisdiction over cigarettes
- 27 60 Minutes airs feature on "fire-safe" cigarettes

April

- 19 Hearing on fire-safe cigarettes legislation before House Energy & Commerce Subcommittee
- TBA Kennedy hearings on FDA jurisdiction with GAO report
- TBA Waxman mark up of smoking ban bill

Fire Safe Cigarettes

January

- 6 Washington Post article on legislation
- 11 Justice Department issues civil subpoenas

February

- 23 Congressman Moakley introduces legislation

March

- 8 Wall Street Journal runs story on CID's
- 10 Industry interviewd by 60 Minutes
- 27 60 Minutes runs feature on issue
- 10 Waxman asks Department of Justice to investigate industry's ingredient reporting

April

- 19 Hearing on fire-safe cigarette legislation before House Energy & Commerce Subcommittee

FDA Jurisdiction

February

- 25 FDA Commissioner releases letter to COSH on possible FDA jurisdiction over tobacco
- 28 ABC News "Day One" feature "on spiking"
COSH/ASH files new FDA petitions

March

- 3 Congressmen Synar/Durbin solicit co-sponsors
- 4 Senator Kennedy requests GAO study
- 7 ABC News "Day One" feature on ingredients
- 9 House floor amendment passes defining tobacco as a drug
- 10 Waxman asks Department of Justice to investigate industry's ingredient reporting
- 15 Durbin and Kessler have lengthy discussion on FDA jurisdiction in Durbin's Appropriation Subcommittee
- 25 Waxman hearing on FDA jurisdiction

April

- TBA Kennedy hearings on Nicotine and GAO study

Environmental Tobacco Smoke

February

- 7 Waxman hearing on smoking ban legislation—Administration, EPA, Surgeon General and five former Surgeon Generals endorse
- 20 ETS found in fetal hair per AMA
- 22 McDonald's and National Chain Restaurants endorse ban legislation
- 24 Surgeon General press conference
- 27 United Airlines trial ban on international flights

March

- 3 State of Maryland announces smoking ban proposal
- 8 Department of Defense announces ban
- 14 Taco Bell announces ban
- 16 Washington State signed de facto ban effective September
- 17 Waxman holds hearing on his smoking ban bill
- 22 Waxman cancels scheduled markup but threatens each subsequent day looking for votes
- 24 Waxman schedules but postpones markup until after recess
- 25 Department of Labor announces proposed rule banning smoking

April

- TBA Waxman markup of smoking ban bill

Issues to Come:

Nicotine Addiction Charge

Securities Fraud Lawsuits: Steiner
Lawrence

Weiss Class Action Suit

2022992472

ACQUISITIONS & DIVESTITURES

Rev. 3/23

Beer

1. Does your recent acquisition of and involvement in Molson and FEMSA signal an increased interest in the international beer market?
 - (U)
 - Yes, our 20% share of Molson Breweries, allows us to increase global presence.
 - Our 7.9% share of FEMSA helps us share in the success of one of Mexico's largest consumer goods companies with holdings in brewing (Dos Equis, Carta Blanca, Tecate, and Superior), Coca-Cola bottling, and convenience stores.
 - Miller Genuine Draft introduced in Puerto Rico in September 1992, and has captured more than 30% of the Puerto Rico beer market and is now the #1 brand.
 - MGD was also successfully introduced in the United Kingdom and Ireland.
 - Miller is the first foreign brewer to have its beer brewed in Beijing, through a licensing agreement with Shuang He Sheng Five Star brewery.
 - Our products are available in more than 75 countries, through exporting, exclusive partnerships, and joint ventures.

2022992473

Food

2. What KGFNA acquisitions and divestitures took place during 1993?
 - We acquired:
 - Nabisco's North American ready to eat cereal business
 - Nabob coffee business in Canada
 - We divested in the US:
 - Ice cream and frozen vegetables
3. In 1993 you sold Birds Eye and ice cream. How large were the gains and how were they recorded?
 - (N) ▪ Sold Birds Eye to Dean Food for \$135 million and realized a gain of \$8 million on the sale.
 - Sold the ice cream business to Unilever for \$262 million and realized a gain of \$27 million on the sale, net of \$100 million transaction costs.
4. Do you think the climate is becoming more hostile to mergers and acquisitions overseas?
 - No, but as we focus our acquisition activity on our core businesses, we will encounter more legal and public interest scrutiny due to our size and market share.

2022992474

Tobacco

5. How is our tobacco business doing in Central/Eastern Europe. Will all these investments pay off?

- (U)
- PM is profitable in Central and Eastern Europe. Our 20 year presence in this region has given us an exceptional understanding of the consumers, politics, and economics of the region.
 - The Czech & Slovak Republics: Almost \$400 million was invested in Tabak. On an operating basis, Tabak is already profitable. Marlboro is the largest international brand at the premium end of the market. Tabak also has 3 of the top 4 brands on the market (Petra, Start, and Sparta). These have been extended to filter, lights, and other variants. Tabak's market share in the Czech Republics is almost 70%.
 - Hungary: The performance of our affiliate EGRI is ahead of the original acquisition plan and performing profitability.
 - Lithuania: Our acquisition of the Klaipeda State Tobacco Company was completed in June of 1993.
 - St. Petersburg: Two phases; First, a 1 billion unit make-pack facility will be operational by summer 1994. Second, a 10 billion unit greenfield site, still to be determined.
 - Krasnodar: In October 1993, PM acquired a 49% shareholding in the Krasnodar Tobacco Factory. We currently own a majority stake (51%) and our total investment is expected to reach approximately \$60 million over the next several years.

(Continued)

2022992475

- Kazakhstan: Agreement closed at the end of 1993 with the Kazakh authorities of the Almaty Tobacco Factory. We own 98% of shares.
- Exports: We are growing export volume in Bulgaria, Romania, and those parts of the former Yugoslavia where the market is not closed due to UN sanctions.
- Poland: We have good ongoing relations with our licensee ZPT Krakow. We have publicly expressed our interest to invest in Poland, but are waiting for the government to begin its privatization of the tobacco industry.

2022992476

ADVERTISING & PROMOTION

Rev. 4/7

Marketing Practices

1. How does the company respond to efforts to reduce product placement in movies and place warnings at the beginning of films?
 - The FTC rejected the petition by anti-alcohol groups to propose rulemaking in this area.
 - Our company responds to requests from movie companies which desire to have authentic products depicted in their movies as a natural part of a scene.
 - What we pay for is to have our brand identified instead of someone else's.
 - We do not authorize product placements for tobacco.

Ethnic Marketing

2. Will PM contribute to the "rebuilding" of South Central L.A. and the relocation of African-American alcohol beverage businesses throughout the country?
 - **Confidential:** CEOs of A-B, Coors, and Miller received requests from Mayor Bradley and the South Central L.A. task force of African- and Asian-Americans to participate in the rebuilding of this area of the city, and the reallotting of licensed beverage stores throughout the country. To our understanding, no brewer responded in the affirmative on this.

2022992477

Television Violence

3. Is there a need for Congress to pass legislation that regulates the responsibilities of advertisers in the area of TV violence?
- PM does not believe this type of legislation is warranted.
 - Congress should encourage the broadcast networks and the program producers to address problems in this area.

Beer

Magnum Malt Liquor

4. Is Miller promoting violence with its marketing of Magnum Malt Liquor?
- (U) ▪ No. Miller markets appropriately and responsibly to adult beer drinkers.
- Category represents only 2.8% of our brand portfolio and is supported by point-of-purchase materials only.
 - Availability of malt liquor products is not a contributing factor in crime and violence. Issues facing inner cities are much deeper than advertising, a visible and convenient scapegoat. Critical issues will not be resolved by band-aid solutions like availability and advertising control.
 - Study suggests a reversal of the usual perceived linkage showing that youthful aggressive behavior predicts heavy drinking far more forcefully than drinking predicts aggression. Aggressive people act that way with or without alcohol and do so throughout their lives. This could, in part, account for the high rate of co-called "alcohol-related" crimes. They may have been committed by people who are aggressive for other reasons. (Study by Dr. Dwight Heath, Brown University - reported February 1994)

2022992478

40-Ounce Containers

5. Is Miller promoting alcohol abuse with its 40-ounce containers that are treated as a single serving in African American and Latino communities?

- No. Miller markets appropriately and responsibly to adult beer drinkers.
- 40-ounce bottle is a re-sealable and convenient package. It is driven by consumer preference.
- Studies found that control of the availability of alcohol beverage does not solve the problem of alcoholism. Rather, it is individual behavior, not the product, that causes the problem.
- The US seems to have entered a new wave of prohibition, manifested by the belief that alcohol problems can be alleviated by controlling alcohol supply.
- States that have the strongest cultural biases against alcohol beverages tend to be the same states that experience the most problems. Conversely, states with the most liberal attitudes and laws towards alcohol beverages have the lowest rates of alcohol problems, suggesting that factors, other than availability, determine high alcohol abuse. (R. Thomas Dull, Ph.D., Dept. of Criminology, CA State Univ.; David J. Giacopassi, Ph.D., Dept. of Criminal Justice, Memphis State Univ., April 1986.)

(Cont'd)

2022992479

- To understand drinking behavior and alcohol problems as the dynamic processes they are, we must take into account a multitude of social, cultural, and attitudinal variables, not just availability which has not been scientifically proven to cause abuse. (Study challenges the distribution of consumption prevention model. A.S. Linsky, J.P. Colby, and M.A. Straus, Dept. of Sociology, Univ. of New Hampshire.)
6. Is it a company's responsibility to be sensitive to community issues when designing an advertising strategy?
- We adhere to voluntary industry advertising guidelines.
 - We have established our own high standards for marketing program content.
7. What is your response to critics who want to dictate how a company advertises/markets its products such as those who want to prevent alcohol companies from saturating minority communities with their advertisements?
- We will continue to develop meaningful information campaigns and educational programs, to encourage responsible consumption by adult beer drinkers.

2022992480

Big Lawyer Roundup

8. What is PM's comment regarding the American Bar Association's reaction to Miller Lite's "Big Lawyer Roundup" commercial?
- Not intended to misrepresent or offend any particular group or individual. The commercial is no longer being aired.
 - Humorously reinforces that if you can combine great taste and less filling, you can combine anything.
 - We've combined golf and football in *Full Contact Golf*, hockey and a beauty pageant in *Miss Perfect Face-off*, sumo wrestling and high diving in *Sumo High Dive*, luge racing and bowling in *Luge Bowling*, and a dog show and drag racing in *Wiener Dog Winternationals*.

Target Marketing

9. How do you define target marketing? Why do consumer products companies use this marketing technique?
- Market segmentation directs relevant messages to key audiences.
 - A marketing tool that has been used by consumer products companies for many years.

2022992481

Advertising Restrictions

10. What about proposals to restrict beer advertising?

- Beer has been part of civilization for 6,000 years, and it's common knowledge that there are risks and consequences from abusive consumption. We have a multi-faceted alcohol awareness and education program to remind consumers of the risks and to promote responsible drinking.
- Miller markets appropriately and responsibly to adult beer drinkers.
- Advertising affects brand performance, not consumption or abuse. (Government studies and independent researchers.)
- Warnings are the least effective way to fight abuse; and education (through schools, family, and law enforcement) is the most effective. (1990 Roper Poll)

11. Are you sensitive to the criticism by urban community leaders that there is too much alcohol advertising in inner cities? Will the company scale back billboard advertising in these communities?

- Billboard advertising represents less than 1% of the total industry's advertising efforts.

2022992482

Food — KGFI

12. How much does KGFI spend in marketing each year, as a percentage of revenues?
- \$750 million, (Advertising \$566, Consumer \$182)
 - 8% of revenues.

Tobacco

PM USA

13. Why should PM or any other tobacco company be permitted to continue to advertise?
- Tobacco is a legal product, and truthful speech about tobacco is protected by the US Constitution.
 - PM advertises its products to adult consumers to persuade them to try and switch to our brands.
 - Free speech.

Minority Marketing

14. Does PM "target" women and minorities with advertising and promotion activities?
- We communicate with all adult smokers, which include all segments of the US adult population.
15. Why does PM USA place billboards advertising its cigarettes in minority neighborhoods?
- A variety of media, including billboard advertising.
 - Local zoning laws determine where billboards may be placed, and PM complies with all such laws.

2022992483

Marketing to Minors

16. Isn't it true that you target your advertising and promotion to minors?

- No.
- We have a stringent company code requiring that all models in our advertising be over 25 and look it.
- We never pay celebrities or sports figures to endorse cigarettes in our advertising.
- More than 25 years ago, we ceased advertising in college publications or in any media whose primary audiences is under 18.
- We encourage state governments to establish 18 as the minimum age for the legal purchase of tobacco products.
- Tobacco Institute's "It's the Law" campaign educates retailers regarding their states' laws governing sales to minors and offers information on keeping cigarettes out of the hands of children.
- We aggressively pursue all cases of logo, trademark and copyright infringement brought to our attention.
- We manufacture branded promotional clothing items in adult sizes only, and we require anyone receiving branded promotional items through the mail to sign a certificate affirming the recipient is a current smoker at least 21 years of age.

2022992484

17. Recent studies show teenage girls are smoking more. How do you justify targeting teenage girls with your cigarette advertising?
- We do not "target" teenagers of either sex. None of our marketing efforts are directed at people under 21.
 - PM doesn't want kids to smoke.
 - We fully support state laws which make sale of tobacco illegal to those under the age of 18.
 - We work with retailers to make sure that both they and their customers understand and obey the law.
18. Should Congress ban the use of cartoon characters in tobacco ads?
- PM USA does not use cartoon characters in our ads.
 - Such a ban raises serious First Amendment issues.

Tax Deductibility

19. Many anti-smoking groups argue that tobacco advertising influences children to smoke. In considering this statement, why shouldn't the federal government restrict the tax deductibility of tobacco advertising and thus end the "subsidy" of marketing products to our youth?
- We advertise to maintain customer loyalty.
 - To encourage smokers of other companies' products to switch to our products.
 - By eliminating the tax deductibility, the government would be influencing consumer choice by restricting the flow of truthful information about a lawful product.
 - Such use of the tax code raises serious First Amendment issues.

2022992485

20. Why shouldn't health warnings be required whenever a tobacco brand or logo appears on non-cigarette products such as hats or T-shirts?
- Existing warning label requirement has been successful.
 - Extension to non-tobacco products is unnecessary.
 - Virtually everyone is aware of the information contained in the warnings on packages and in advertisements.
21. Where is the heaviest pressure for advertising bans or restrictions?
- Local laws restricting cigarette advertising.
 - Outdoor and transportation advertising.

Voluntary Code on Advertising

22. The tobacco industry has a Voluntary Code on Advertising and Promotion. Does PM USA adhere to the Code?
- Yes.
 - A comprehensive internal review and pre-approval process for all tobacco advertising and promotions.
23. If PM USA complies with the Code, why not support federal legislation mandating compliance with the Code?
- PM USA complies with the Code and therefore believes that no legislative action is necessary.

2022992486

24. PM USA launched the Marlboro Adventure Team promotional campaign, which appears to involve "rigorous physical activity." Do you feel that this campaign complies with the Voluntary Code's prohibition against the use of sports figures or persons smoking while engaging in physical activity?
- In conformance with the Code, the campaign did not use well-known athletes.
 - It did not show anyone smoking as they participate in these activities.
 - The program specifically stated that participants must be 21 years of age or older and be smokers.
25. If tobacco advertising does not seek to attract new customers, why does PM USA spend any money on advertising and promotion?
- To maintain customer loyalty.
 - To encourage smokers of other companies' products to switch to our products.

PM International

26. We hear a lot about the marketing of tobacco products overseas. What "rules" govern our marketing of products in foreign countries?
- PM abides by the laws of the countries in which we are importing our products.
 - Often negotiated trade agreements prescribe the "rules" governing our entry into a market.
27. I understand that there is a threat to Marlboro sponsorship Formula 1 racing. What will happen if we lose this?
- As far as we are concerned, there is no threat to our sponsorship.
 - It is continuing as planned.

2022992487

Marketing to Minors - International

28. Isn't it true that PM is marketing to youth and children in other countries, like China? Why does PM use double standards when marketing to different countries?
- No. We adhere strictly to our own marketing code which prevents such marketing and establishes the means for responsible marketing.
 - With the Chinese monopoly controlling an approximate 99% share, our goal is to have a greater share of this market.
 - There is no "special customization" of our basic marketing strategies to target China.

Marketing Restrictions

29. What is the status of marketing restrictions in Europe?
- European-wide tobacco marketing restriction proposal is under review by the Commission's legal department who believes such a proposal may exceed the scope of the Commission.
 - National restrictions are still possible but we have had success on a market by market basis, notably Switzerland last year.
30. With the increase in marketing restrictions around the world, what is PM doing to ensure that brand information/communication is passed on to the consumer? (i.e., What is PM doing to maintain its brand value around the world?)
- We market our products in strict compliance with all the laws and regulations established by the governments in the areas of the world in which we do business.

2022992488

COMMUNICATIONS

Rev. 4/6

1. Why is PM not more aggressive in defending itself from adverse publicity?
 - In some cases, no comments keeps the story from becoming bigger.
 - There are behind-the-scenes activities with various publications and broadcast outlets. We recently met with the publisher and top editorial members of The New York Times, to discuss overall PM operations.
 - PM has a program involving ongoing outreach between reporters and senior executives.
 - Prior to every major announcement PM holds media briefings with leading newspapers and magazines.
 - The communications departments of all PM operating units provide up to date information to all inquiring reporters.
2. What influence does PM have on matters of public policy or social issues?
 - Responsible companies should make themselves heard on public policy issues.
 - We communicate our points of view, but we don't control the results.

2022992489

Restructuring

3. The restructuring announcement on November 24, 1993 seemed to only emphasize layoffs and after tax charge against earnings. How come there wasn't a discussion of increasing profits by taking costs out of the business?
 - The announcement did mention that the restructuring plan:
 - Significantly reduces our cost structure.
 - Improves future growth, profitability, and cash flow.
 - Is designed to generate after-tax annual savings of about \$600 million by 1997.
 - Is expected to provide the company a payback period of around three years.

Stephen Wolf

4. You elected a new director to the Board (Stephen Wolf) but we saw nothing in the newspaper.
 - The announcement of Steve's election to the Board did receive press coverage, but it came on the same day as our restructuring announcement.

New York Times

5. What did you think of the New York Times magazine cover story on Philip Morris (March 20, 1994)?
 - (N) ▪ Story was thorough, balanced, and fair.
 - Our executives spent a great deal of time and effort educating the reporter on our business and company.
 - We felt it important to cooperate with the New York Times, because PM is proud of its business, its employees, and the communities in which we live and work.

2022992490

6. What about the cartoon cover, featuring "Mr. Butts" and the poignant story of Victor Crawford, the tobacco lobbyist who has cancer?

- (N) ■ The New York Times is free to editorialize as it sees fit.
- PM was not consulted on the cover art for the article.
- As for Mr. Crawford's story being included in the article, it was the reporter's choice to do so.
- Certainly sympathetic Mr. Crawford's situation and wish him well.

Cooperation with Press

7. What other stories has PM participated in this year?

- (N) ■ PM has been the subject of much coverage this year. Major stories are:
- Wall Street Journal discussed Miller's booming business (TK -- waiting to see if it runs).
- "48 Hours" did a segment on Miller's tough decision to close the Fulton NY facility.
- FORBES talked about PMI's business opportunities in Russia .
- PM is proud of its lines of business, and through our communications offices, works with the press to provide up-to-date information on all inquiries.

2022992491

8. Should PM cooperate with the press? Apparently we refused to cooperate with "60 Minutes" on the recent 'fire safe cigarette' program, and look what happened.

- (N)
- PM receives many daily press inquiries.
 - We evaluate each press inquiry on its own merits to determine if it is in our best interests to work with that reporter (it usually is).
 - Our objective is to be as responsive as we reasonably can be vis a vis the request and the media.
 - Re "60 Minutes," PM did send written answers to their questions; an on-camera interview was not possible. "60 Minutes" did not acknowledge or use the written information PM provided.

2022992492

CONTRIBUTIONS

Rev. 3/25

1. What is PM's charitable contributions policy?

- (N)
- Corporate giving program focuses on education ~~hunger and nutrition~~ and the arts.
 - Focus ~~has~~ helped improve our already highly respected and distinguished program.
 - Our giving program is based on our desire to:
 - Advance broad social issues.
 - Further our goals as a private corporation.
 - Board of Directors supports our philanthropic initiatives and support grants that help advance our program.

PHIL-PAC

2. How much money did the Philip Morris Political Action Committee (PHIL-PAC) raise in 1993?

- In 1993, raised \$481,213.58. Carried over \$49,419.40 from 1992.
- In 1993, contributed \$467,362.24 including contributions to 254 candidates.
- In 1992, contributed \$548,059.33 including contributions to 280 candidates for federal office.

3. How many Democratic and Republican candidates did PHIL-PAC support in 1993?

- 141 Democrats (\$173,673). 113 Republicans (\$119,449).
- Remaining funds to federal and state committees, state and local candidates and operating expenses.

4. Does PHIL-PAC support candidates for presidential office?

- No.

2022992493

5. What was the cost for administration of PHIL-PAC in 1993?
- \$118,871 for administrative expenses and solicitations.
 - \$116,581 for salaries and fringe benefits. (Charged to Corporate Affairs budget, not to PAC.)
 - Relative to receipts, above sums are low.
 - Average PAC's come in around \$1 in receipts for \$1 of expense.
 - We raise \$1 for every 49 cents spent.
 - These expenses do not come out of personal contributions:
6. Did PHIL-PAC contribute to Senator Jesse Helms in 1993?
- No.

KGF PAC

7. How much did KGF's PAC contribute to Republicans and Democrats in 1993?
- Total of \$16,750, \$11,750 to Republicans, \$5,000 to Democrats.
 - Contributed \$8,500 to other committees.

Philanthropic Contributions

8. What were our philanthropic contributions in 1993?
- \$55,500,000.
9. What percentage of income does that represent?
- 0.78% of domestic pre-tax income
 - 0.57% of worldwide pre-tax income.

2022992494

10. Does the company use the contributions program to target Black organizations in an effort 'buy' their support?

- ~~No.~~ In the 1930s, PM was among the first companies to hire African Americans for other than "menial" jobs.
- In the 1950s, we began the process of integration of the unions in our southern plants.
- Desegregation of our facilities occurred before the law required it and before other corporations did.
- Financial support for Black organizations dates back to 1944, when senior PM executives supported the United Negro College Fund.
- We support the National Urban League. (Contributions to it and other organizations were made at a time when the company was in last place in our industry and could least afford to provide this financial support. Now, as one of the largest American corporations, we are one of the most active.)

11. Why does PM make substantial contributions to the African-American and Hispanic communities?

- PM markets to a diverse universe of consumers.
- The company supports cultural, educational, social, and health programs that benefit the entire community of our consumers.

2022992495

12. How much did the company expend in support of AIDS organizations for 1993?

- Contributed \$868,660.
- Since 1990, the company has committed \$1.0 million each year to support efforts within these AIDS categories:
 - Research
 - Education/Prevention
 - Care

13. Were contributions made in 1993 to organizations with which members of the Board of Directors are affiliated?

- Yes. (See attached list at end of this section.)

14. How much did the company expend on the arts in 1993, exclusive of charitable contributions to arts programs approved by the Corporate Contributions Policy Committee?

- | | |
|--|--------------|
| ▪ Total Cultural Affairs | \$3,133,962 |
| (includes salaries, fringes
& project expenses) | |
| ▪ Total Cultural Advertising | \$2,877,349 |
| ▪ Total Contributions to the Arts | \$13,317,788 |

2022992496

15. Which organizations were the recipients of the largest charitable contribution grant in 1993?

EDUCATION

Foundation for Independent Higher Education (FIHE) \$500,000
(Teacher Training for Minorities)

HEALTH AND WELFARE

Food Research and Action Center (FRAC) \$1,050,000/3 years
To expand the Campaign to End Childhood Hunger
(1st payment of \$250,000 paid in 1993)

THE ARTS

Brooklyn Academy of Music \$1,500,000/3 years
To establish the PM Next Wave Forward Fund
(1st payment of \$500,000 paid in 1993)

CONSERVATION AND ENVIRONMENT

Federal Focus, Inc. \$200,000
To collect and analyze data relating to the assessment of costs/benefits of environmental regulations; make information available to public and government officials; develop recommendations.

CIVIC AND COMMUNITY

Citizens for a Sound Economy Foundation \$300,000
Renewal of general support

MISCELLANEOUS

ETV Endowment of South Carolina \$180,000
"Technopolitics" series

2022992497

16. Has there been an increase in contributions to organizations involving minorities?

- (U)
- PM contributes to a wide spectrum of charitable organizations and programs intended to help women, African-Americans, Hispanics and other classes.
 - Total 1993 contributions to protected classes were \$11,045,946, slightly higher than the 1992 total of \$11,033,544.
 - 1993 contributions to programs intended to help protected classes were:

Physically Challenged	\$356,629
Drug/Alcohol	336,990
Elderly	400,280
Minorities	4,371,335
Women	409,466
Veterans	<u>28,500</u>
Total	\$5,903,200

- 1993 contributions to minority organizations were \$5,142,746.
(Total contributions to minority organizations were \$11,033,544 in 1992 and \$4,708,328 in 1991, increase in 1992 due to inclusion of KGF data not available in 1991.)

2022992498

17. How much did the company expend on charitable contributions in other areas in 1993?

(\$ in millions)

The Arts	\$13.6
Civic & Community	5.2
Conservation & Environment	1.2
Education	15.3
Health & Welfare	13.0
Miscellaneous	<u>0.9</u>
Total Grants	\$49.2
Matching Gifts	<u>6.3</u>
Total 1993	\$55.5

Project Awareness

18. Has PM contributed to "Project Awareness"?

- In 1993, we made a \$125,000 contribution representing the 3rd and final payment of a 3-year \$375,000 pledge to the Chesterfield County Public Schools.

2022992499

Disaster Relief

19. Has the company contributed to disaster relief appeals?

(U) ■ Yes. The company has an active policy of contributing to disaster relief appeals both domestically and internationally, and budgeted \$700,000 in both 1993 and 1994.

- Company contributed \$170,000 to disaster relief appeals in addition to product donations (i.e. water shipments) in 1993:

American National Red Cross - Jefferson City, MO	\$50,000
American National Red Cross - Sioux Falls, SD	25,000
American National Red Cross - Adams County Chapter Quincy, IL	5,000
American National Red Cross - Loudon County Chapter Lenoir City, TN	5,000
American National Red Cross - Grand Folks, ND	10,000
American National Red Cross - Milwaukee, WI	15,000
City of Petersburg Virginia Tornado Relief Fund Petersburg, VA	25,000
Caritas Relief for Croatia - New York, NY	15,000
Iowa Flood Relief Fund - Des Moines, IA	<u>20,000</u>
TOTAL	\$170,000

2022992500

20. What has PM done for the 1994 California earthquake victims?

- (N)
- Miller's Irwindale Brewery delivered bottled water to earthquake shelters.
 - KGF contributed non-perishable foods.

United Way

21. Have there been any more repercussions from the United Way scandal?

- The new president, Elaine Chao, has implemented a number of policy changes that have eliminated several abuses.
- She has cut the budget by 10%.

22. What percentage of our corporate gift goes to the United Way's member agencies and what percentage goes to administrative costs?

- 84% goes to member agencies.
- 16% goes to administrative costs.

23. Do our dollars go to all the organizations or does the corporation as a whole designate that the dollars not go to The American Cancer Society, American Lung Association, or any other organization that is anti-PM?

- We currently cannot target our corporate gift to the United Way.
- We are working to change this procedure.

24. What if an employee designates that his/her donation be given to an organization that is anti-PM?

- We cannot prevent this from happening.

25. What did we give to United Way in 1993?

- \$3,417,121 was contributed in 1993.

2022992501

26. How long have we supported United Way?

- Since 1956, PM Companies Inc. contributed a total of \$21,905,008 to United Way chapters in our plant communities.
- GF contributions from 1985-88 not included.

KGF Contributions

27. Does KGF have a charitable foundation?

- Contributions are made through the corporate contributions program similar to the rest of PM Companies.

28. How much money did KGF give to charities in 1993?

- KGF contributed \$14,565,000 in cash donations. (This figure is included in the overall \$55,500,000 contributions budget for PM Companies Inc.)

29. Does KGF give away product as well as cash?

- Food products are contributed to non-profit organizations.
- Second Harvest National Food Bank Network is used as the vehicle for making in-kind donations.

30. Can you give specifics for KGF's contributions in 1993?

- Hunger and Nutrition \$7,301,699
- Education \$5,009,712
- The Arts \$2,833,393
- KGF also assists non-profit agencies concerned with needs of minorities, women and the handicapped.

2022992502

KGFI Contributions

31. How much does KGFI spend on contributions to charitable organizations?

- Approximately \$2 million spent in 1993 from KGFI's operating budget.
- Supports variety of activities including:
 - Alp Action Program to help reforest Europe's Alps as a result of environmental damage.
 - International Special Arts Program
- On behalf of Kraft Jacobs Suchard, PM Companies made the following contributions:

Opera House, Bratislava \$50,000

For the 1993-94 season and ticket-subsidy out-reach programs

Museum of American Folk Art \$75,000

Sponsorship pledge for the international tour of the Swiss Folk Art exhibition to Zurich and Neuchatel. This amount will be sent to the Landes Museum in Zurich, the organizers of the Swiss version of the exhibition.